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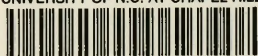
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PROCEEDINGS
OF
ANNUAL MEETING OF STOCKHOLDERS.

GREENSBORO, N. C., July 12, 1894.

On motion of W. F. KORNEGAY, W. A. MYATT was elected Chairman.

On motion of L. S. OVERMAN, F. L. REID was elected Secretary.

The Committee on Proxies reported the number of private stockholders represented in person and by proxy 27, representing 470 shares of stock.

Dr. V. E. TURNER presented his credentials as State's proxy, which was in due form and received.

The State's proxy then announced the following as having been appointed Directors on the part of the State by the Governor of North Carolina: W. F. KORNEGAY, CHARLES W. JOHNSON, JNO. P. ALLISON, W. C. MAXWELL, J. J. YOUNG, LEE S. OVERMAN, F. S. SPRUILL, REV. F. L. REID.

The Chairman announced that a quorum not being present no meeting of the stockholders can be held, and adjourned the meeting.

W. A. MYATT,
Chairman.

F. L. REID,
Secretary.

PRESIDENT'S REPORT.

BURLINGTON, N. C., June 18, 1894.

To the Directors and Stockholders of the North Carolina Railroad Company.

GENTLEMEN:—I have the honor to present you my annual report of the condition of your Company for the fiscal year ending May 31, 1894.

The Company being charged with the semi-annual dividend, one hundred and twenty-thousand dollars, due September 1, 1894, we have placed to its credit the amount of rental due July 1, 1894, one hundred and thirty-one thousand six hundred and eighty-three $\frac{29}{100}$ dollars, with the following result:

Liabilities of the Company May 31, 1894, including semi-annual dividend due Sept. 1, 1894-		\$141,633 00
Less cash assets -----	\$ 1,481 99	
Less amount due from lease -----	131,683 29	
Less cash on hand -----	3,575 86	
Deficiency -----	\$ 4,891 86	\$141,633 00
	\$141,633 00	

Leaving an amount unprovided for of four thousand eight hundred and ninety-one and $\frac{86}{100}$ dollars, a small amount in excess of last year.

CONDITION OF PROPERTY.

I commend to you the report of your expert, Dr. T. D. Hogg, whose demands for the Company have all been complied with. The physical condition of your property is not all that we might desire, but all that we can demand that it should be. The line is now complete with steel rails from Charlotte to Goldsboro. From Greensboro east

most, if not all, the rails are second-hand and below the standard weight now in general use, but entirely adequate, we think, to the demands of the local business done over that portion of the road.

It may be of interest to you to know that notwithstanding the universal depression that has afflicted the whole country so long, I am pleased to say your road has borne evidences of thrift and prosperity all the while.

TAXATION.

For two years now, new conditions in regard to the taxation of your property have confronted the Board of Directors, and the same have had careful and thoughtful consideration. In my report to the last annual meeting I discussed some of the issues then pending, but no definite action was taken till after the beginning of the present fiscal year.

Prior to 1893 the method of valuation was complex, and it was difficult to say what was valued and taxed. The Railroad Commissioners were directed to value the track and rolling stock and deduct the aggregate from the aggregate value of the capital stock and franchise, less the value of stock held by non-residents. By act of 1893 this was changed, and the simple method adopted of valuing the real estate held for right-of-way and other property at its true value and assessing it for taxation accordingly.

Respecting your exemptions from taxation, I desire to direct your special attention to the fact that there is a clause in the revenue law requiring that every railroad whose road-bed, &c., is exempt from taxation shall pay a tax of one-half of one per cent. upon its gross receipts, and that a railroad which does not claim any exemption shall pay *no tax upon its gross receipts*. It will thus be seen that

under these several acts since January, 1893, a railroad claiming no exemption would pay a tax upon its entire property as valued by the Railroad Commission and no more, and that a company claiming its road-bed, &c., to be exempt would pay a tax upon all property not exempt and a tax of one-half of one per cent. upon its gross receipts.

By reference to the report of the Commissioners for 1893, it will be seen that the entire property was valued at \$2,074,617, and this is the amount upon which taxes (State, county and municipal) would be paid if no exemption were claimed.

By reference to same report, it will be seen that the Commissioners assessed for taxation (State, county and municipal), as property not exempt from taxation, property to the value of \$1,802,767, and the gross receipts of the Richmond and Danville Company, against which a tax of one-half of one per cent. was charged, amounted for this same period to \$1,180,836.53. In other words, with the exemption claimed by the Company, we would pay State, county and municipal taxes upon property valued at \$1,802,667 and a tax of one-half of one per cent. upon \$1,180,836.56, while with no exemption we would pay State, county and municipal taxes upon \$2,074,617. Desiring to subserve the best interests of your Company we decided to pay the smaller tax, and therefore surrendered the exemption and directed the entire property of the Company to be assessed for taxation.

In arriving at this conclusion, we were moved by other considerations which it may be well to briefly notice.

It will be observed that the original charter of your Company contained no exemption from taxation, and that under that every dollar of private stock was subscribed. It is urged from this fact that the exemption being granted sub-

sequent to the subscriptions of the private stockholders, they were not parties to the exemption, and that as to them there was no consideration for the exemption.

We are advised, if there was no consideration for the exemption between the State and private stockholders, that the State had the power to withdraw the exemption at any time, and it is known to the stockholders that the State, through its officers, has announced its intention to do so.

In addition to this action of the State officials, the Legislature in 1893 expressly repealed the exemption by section 6 of chapter 294, Laws of 1893, which reads as follows: "Whenever in any law or act of incorporation granted either under the general law or by special act, before or since the fourth of July, 1868, there is any limitation or exemption of taxation, the same is hereby repealed."

It will be noticed, also, that the exemption continues until the dividends of profit exceed six per cent. per annum, and no longer. Exemptions are special privileges and are restricted to the letter of the contract, and when a corporation says it has an exemption by virtue of a contract with the State, the State may very well say: since you appeal to the contract, let us see if the conditions have been complied with. The exemption is until the dividends of profits exceed six per cent. per annum. This must mean dividends *earned*, and not dividends *declared*.

If not, then there was no reason why any restriction or limitation should have been placed upon the exemption, for the reason the surplus above six per cent. could easily be absorbed in improvements, expenditures, or investments, the conditions of the exemption practically abrogated, and the Company run on indefinitely paying the six per cent. annually but paying no taxes. It is urged by many that this is neither a liberal nor just interpretation of this section of the charter.

If, on the contrary, the framers of this section intended this Company should pay taxes upon its real estate when its earnings were more than six per cent., it is only a matter of investigation of the accounts of your Secretary and Treasurer for several years past to see that they have been considerably in excess of this.

Before the assessment of railroad properties went into the hands of a Railroad Commission, and the passage of an act by the Legislature requiring us to pay one-half of one per cent. on gross receipts became so burdensome, the officers of your Company were enabled to lay aside a surplus, after paying the regular dividend, that was largely instrumental in the liquidation of the last issue of bonds made by the Company.

It is known, furthermore, that your Company has paid its stockholders many years six per cent. semi-annually, or \$120,000 each six months. At the rate of six per cent. per annum it would have paid \$240,000 at the close of the year, but instead of doing so it has paid \$120,000 at the end of each six months. This, of course, gives to the stockholders the use of \$120,000 six months in excess of six per cent. per annum. It has been urged, upon these facts, that the dividend of profits has exceeded six per cent. by \$3,600, making the computation upon a basis of six per cent. interest. In addition to these considerations, the Directors believe that the policy of His Excellency the Governor is just and right, as well as based upon a fair administration of the business of the Company. The State has said that all property should bear its proportion of the burdens of taxation, and in the line of that policy has forced all the other railroads of the State to yield their exemptions. It would not seem to be just to retain an exemption in property in which the State has a controlling interest,

and with the advantage (if it be an advantage) to compete with other roads shorn of their exemption by act of the State.

In taking this action, due consideration has been given to the objections urged against it. It has been alleged that the payment of taxes upon the entire property would prevent the payment of the usual dividend, would lessen the security of certain bonds, and might provoke a renewal of the Swasey suit. This objection goes for naught, when it has been shown that we have been paying more taxes with the exemption than we will have to pay upon the entire property. It has been further urged that the Company would be subject to excessive taxation by cities and towns. The Company is now subject to municipal taxation and pays taxes on \$1,802,767, and an ample protection against excessive taxation lies in the fact that the citizens of a city or town must impose a tax upon their own property when they tax the property of your Company. It has been said, too, that the valuation of property may be greatly advanced. This is true, and we think it the only objection that has been advanced that is worthy of serious consideration. But when it is remembered that three-fourths of the property of the Company is the property of the State, that the Commissioners who value the property are elected by the people of the State and directly responsible to them, if they should be disposed to burden the property with over-valuation, would not long be permitted to do so.

It is proper to add here that the Board of Directors have been advised by the Attorney of the Company that the tax of one-half of one per cent. upon the gross receipts of the Company is unconstitutional, and that, acting under that advice, an action has been instituted to restrain the collection of the tax for 1893, amounting to \$5,903. This action

has been heard before Judge Hoke, and the act has been declared unconstitutional. It is possible, however, an appeal may be taken from the judgment of Judge Hoke.

I again present for your consideration an amendment to your charter, passed by the Legislature of 1891, in reference to the terminus of your road at Goldsboro, and recommend that it be adopted. It was received and adopted by the Board of Directors soon after its passage, but, if I mistake not, no proposition has been made for its adoption in your annual meeting.

Respectfully submitted,

W. F. KORNEGAY,
President.

CHAPTER 392, ACTS OF 1891.

AN ACT TO AMEND CHAPTER EIGHTY-THREE, LAWS OF 1848-'9,
RELATING TO THE CHARTER OF THE NORTH CAROLINA
RAILROAD COMPANY.

The General Assembly of North Carolina do enact :

SECTION 1. That chapter eighty-three, section one of the public acts of North Carolina of one thousand eight hundred and forty-eight and nine, entitled "An act to incorporate the North Carolina Railroad Company," be amended by striking out in line five the words "where the same passes over the Neuse river" and inserting "at or near Goldsboro."

SEC. 2. That section two be also amended by striking out the words "where the same passes over Neuse river" and inserting "at or near Goldsboro."

SEC. 3. That the construction of the North Carolina Railroad by the North Carolina Railroad Company to the town of Goldsboro as it now exists is hereby ratified in as full a manner as if the original charter had authorized the said Company to make a terminal point at Goldsboro instead of where the Wilmington and Raleigh Railroad passes over the Neuse river.

SEC. 4. That the North Carolina Railroad Company is hereby empowered to hold and keep possession of all its property as the same exists at present in all (as) full and complete a manner as if the terminal

point of said road had been designated in the original charter as being at or near Goldsboro, so that said company shall not be prejudiced in the assertion of its rights by the fact that the terminal point at or near Goldsboro was not then in such charter, nor shall any other corporation or individual be prejudiced in the assertion of their rights hereby in any court of law or equity.

SEC. 5. That the track at present in possession of said company and running into Goldsboro and the right-of-way to said point shall be entitled to all the legal protection which is extended by its charter to the other parts of said road, and subject to the same provisions of said charter and its various amendments; nor shall any other corporation or other individual be prejudiced in the assertion of their rights hereby in any court of law or equity: *Provided, however*, that nothing herein shall be construed to affect or destroy any vested right, power or privilege now existing or enjoyed by any corporation or individual to the land over which the track of the said North Carolina Railroad now runs, or to the right-of-way over said lands, or to the right, if any exists, to cross the track of the said North Carolina Railroad Company with the track of any such corporation or individual, but as to any such right, powers or privileges the said North Carolina Railroad Company or any other corporations to be affected hereby is left to such remedies for condemnation or otherwise as the said companies may possess under their charter or amendments thereto, or the laws of the State.

SEC. 6. That this act shall be in force from and (after) its ratification. Ratified the 7th day of March, A. D. 1891.

EXPERT'S REPORT.

RALEIGH, N. C., June 1, 1894.

President and Directors of the N. C. R. R.

I examined the road from Charlotte to Goldsboro on the 30th and 31st of May, and I find that all the awards made by the experts have been complied with, and the road is now equipped with steel rails from Goldsboro to the Air Line junction, and there is not a defective rail or a bad joint in the main line, and there have been placed or distributed ready to go into the track between Greensboro and Salisbury 42½ miles of new 70-pound steel rails.

There has been placed in the track, or ready to go in, 120,000 extra large oak cross-ties, and the road is now probably the best timbered road in the country.

The Richmond and Danville road have hauled long distances many thousand car-loads of the best gravel ballast, and they are commencing this week upon another large deposit, thus making a dry, firm and elastic road-bed.

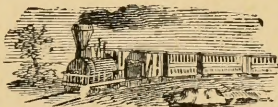
There has been ordered a new steel bridge for South Potts, thus removing the only wooden bridge on the western end, and it is proposed to take out several of the lighter bridges on that end, and it is probable that they will be moved to Cate's Creek, Strayhorn's and Crabtree. When this is done there will be only two wooden bridges left in the line, and they are in excellent order. The open culverts east of Neuse river have been piled with heavy pine piles, and the superstructure bolted to the piles, thus making the woodwork of the culverts secure against freshets.

An observing traveller over your road will be struck with the great prosperity that is evidenced at each depot, and, in view of the fact that this is a leased line, there is great praise due to the officers of the railroad who conduct the business of the railroad, for it shows that they are attentive to the local business instead of wasting their energies by striving for business that pays low freights at distant terminals.

And I congratulate you, gentlemen, on the physical condition of your road, and the prosperity of the district of country which your road serves.

I am yours respectfully,

THOS. D. HOGG,
Expert N. C. R. R.



SECRETARY AND TREASURER'S REPORT.

BURLINGTON, N. C., May 31st, 1894.

To the Stockholders of the North Carolina R. R. Co.

GENTLEMEN :—I herewith submit to you my annual report of the receipts and disbursements of the Company and its financial condition for the fiscal year ending May 31st, 1894.

Very respectfully,

P. B. RUFFIN,
Secretary and Treasurer.

TREASURER'S REPORT.

P. B. Ruffin, Treasurer, in account with the N. C. Railroad Co.,

RECEIPTS.

From lease of the North Carolina Railroad	\$	263,193	86		
From Temporary Loan -----		37,000	00		
From Interest -----		1,662	91		
From Rents Collected -----		434	50		
From Tax Account received from R. & D. R. R. Co -----		10,000	00		
Cash on hand June 1st, 1893 -----				\$	312,291 27
					12,474 25
				\$	324,765 52

Commencing June 1st, 1893, and ending May 31st, 1894.

DISBURSEMENTS.			
Dividends	\$	238,500 00	
Temporary Loan		45,000 00	
Taxes		25,019 78	
Union Passenger Depot at Raleigh		365 20	
Salaries		3,015 00	
Legal Expenses		344 28	
Incidentals		908 45	
Repairs of Buildings		360 82	
Interest		2,176 13	
Freight and Passenger Depots at Burlington		5,500 00	
			\$ 321,189 66
To cash on hand June 1st, 1894			3,575 86
			\$ 324,765 52

P. B. RUFFIN, *Treasurer.*

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Financial Condition of the North Carolina Railroad Co.,

PROPERTY ASSETS.			
Construction and Equipment	\$	4,975,627 53	
Northwestern N. C. R. R. Stock		20,000 00	
State University R. R. Stock		5,000 00	
			\$ 5,000,627 53
CASH ASSETS.			
Due from other Companies	\$	1,134 04	
“ “ Bills Receivable		300 00	
“ “ Dividend Tax		17 95	
“ “ Rent Book		30 00	
			1,481 99
Cash on hand May 31st, 1894			3,575 86
			\$ 5,005,685 38

For the Fiscal Year ending May 31st, 1894.

LIABILITIES.			
Capital Stock -----			\$ 4,000,000 00
FLOATING DEBT.			
Temporary Loan -----	\$	17,000 00	
Unpaid Dividends -----		4,525 00	
Three per cent. on Dividend No. 32, due September 1st, 1894 -----		120,000 00	
Dividend Certificates -----		108 00	
			141,633 00
Profit and Loss -----			864,052 38
			<hr/>
			\$ 5,005,685 38

P. B. RUFFIN, *Secretary.*

REPORT OF FINANCE COMMITTEE.

NORTH CAROLINA RAILROAD COMPANY,
BURLINGTON, N. C., June 8th, 1894.

Your Committee report that we have discharged the duty required of us. A careful examination of the Treasurer's books and accounts show that they have been properly and correctly kept; every charge sustained by a proper voucher. The vouchers were examined, defaced and filed. The stock and dividend books were fully examined and found to be correct and in good order. The cash balance in the Treasurer's hands we find to be on June 1st, 1894, \$3,575.86.

Respectfully submitted,

W. E. HOLT,
W. C. MAXWELL,
JOHN P. ALLISON,
HUGH MACRAE,
BENNEHAN CAMERON,
Finance Committee.

AUG 8 1904

